NATIONAL COORDINATING COMMITTEE FOR MULTIEMPLOYER PLANS

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RANDY G. DEFREHN
EXECUTIVE DIRECTOR
E-MAIL: RDEFREHN@NCCMP.ORG

December 9, 2014

U.S. House of Representatives
Washington, D.C. 20515

Re: Support for Multiemployer Pension Reforms

Dear Representative:

The National Coordinating Committee for Multiemployer Plans (NCCMP) strongly supports the bipartisan agreement between Chairman John Kline and Ranking Member George Miller of the House Education and Workforce Committee to reform the multiemployer pension system and implement key provisions of the Solutions Not Bailouts proposal.

The Solutions Not Bailouts proposal was the result of 18 months of deliberation by the NCCMP's Retirement Security Review Commission which, was made up of approximately 40 labor and management organizations. The proposal helps troubled plans avoid insolvency, puts the plans recovering from the economic downturn on firmer ground, and helps those plans – and retirees – in trouble avoid losing everything. Importantly, this proposal also protects taxpayers by avoiding a massive taxpayer-funded bailout that would cost billions. We stand with both labor and business leaders today in support of those recommendations and urge you to pass the bipartisan proposal being finalized in the Education and Workforce Committee.

Critics of the proposal and the bipartisan agreement claim that they take benefits away from retirees. The hard truth is that the retirees in troubled plans are going to lose benefits under current law, and these vital reforms will preserve benefits above what current law provides. For example, an actual construction industry plan in the Midwest will exhaust its assets in approximately 15 years, at which point current law will impose a mandatory benefit reduction of 50% on all participants, including retirees. These reforms will provide the trustees with the option of voluntarily adopting a 10% benefit reduction today, which would prevent the looming catastrophe. This is what we mean when we say that the proposal preserves benefits.

The most recent claim from those who stand in the way of the bipartisan agreement is that it has been rushed through and debated in secret. For nearly two years, and following five Congressional hearings and several public forums, we have worked with both labor and business stakeholders, and importantly, Members of Congress, to debate and act on the provisions of the Solutions Not Bailouts. Our most prominent critic, AARP, has testified before Congress and participated in public forums in opposition to the proposal. While they have produced no alternative proposal, they have had extensive opportunity to participate in the process and voice their opinion. The time for debate is over. Now is time for action.

Our critics have been very vocal, yet they remain highly outnumbered by our supporters. Attached to this letter are numerous letters of support that the proposal has received from various labor and management organizations. Each and every one of these organizations remains 100% committed to the enactment of these reforms.

Thank you for your attention to these important matters. We encourage you to pass these much-needed, bipartisan reforms.

Sincerely,

Randy G. DeFrehn

Randy G. DeFrehn

PENSIONS & INVESTMENTS: CONGRESS MUST ACT TO SAVE MULTIEMPLOYER PENSION PLANS

_BY_ STEPHEN SANDHERR AND SEAN MCGARVEY | SEPTEMBER 26, 2013

Stephen Sandherr is the CEO of the Associated General Contractors of America and is based in Arlington, Va. Sean McGarvey is the president of the Building and Construction Trades Department, AFL-CIO, and is based in Washington.

Retirement security for millions of skilled American workers is at stake without Congress taking action to shore up multiemployer plans.

Tight credit markets and a slowly recovering American economy are wreaking havoc with employers that contribute to multiemployer defined benefit plans and to these pension programs.

Business and labor leaders, recognizing the challenge ahead, spent 18 months working together, culminating with a report issued early this year, to find private-sector solutions to shore up these plans and protect benefits for current and future retirees and preserve sponsor companies that provide jobs for active members.

Business and labor leaders, recognizing the challenge ahead, spent 18 months working together, culminating with a report issued early this year, to find private-sector solutions to shore up these plans and protect benefits for current and future retirees and preserve sponsor companies that provide jobs for active members.

These solutions, which are supported by both business and labor, are outlined in "Solutions Not Bailouts: A Comprehensive Plan from Business and Labor to Safeguard Retirement Security for Multiemployer Plan Participants, Protect Taxpayers and Spur Economic Growth," issued last February by the National Coordinating Committee for Multiemployer Plans. While this report calls on Congress to give employers and employees the tools they need to make tough choices to preserve these plans, what it does not do is call on American taxpayers to bail them out.

Multiemployer pension plans hold nearly $500 billion in assets that play a significant role in generating broader economic activity. If these plans fail, our economy will suffer a devastating blow. These innovative retirement plans for decades have allowed skilled workers to move from job to job while providing portability by maintaining their ability to contribute to a pension.

Multiemployer pension plans hold nearly $500 billion in assets that play a significant role in generating broader economic activity. If these plans fail, our economy will suffer a devastating blow. These innovative retirement plans for decades have allowed skilled workers to move from job to job while providing portability by maintaining their ability to contribute to a pension.

Conflicting tax policies made it harder for employers to maintain the solvency of these plans. In addition, current law prevents employers and employees from taking common sense steps to secure them.

For years, tax laws actually prohibited firms from overfunding their plans. At that time, more than three-fourths of fully funded plans had to increase benefits to increase plan liabilities and avoid paying tax penalties. As a result, even greater liabilities were created that needed to be funded from future contributions or investment returns. Today, because of the recession and these misguided rules, nearly a quarter of all multiemployer pension plans are categorized as "critical" — requiring the adoption of aggressive rehabilitation plans to return to financial health — and nearly a quarter of those, including some of the oldest and largest plans, are facing insolvency in the next 10 to 20 years.

PENSIONS & INVESTMENTS: CONGRESS MUST ACT TO SAVE MULTIEMPLOYER PENSION PLANS

For example, a participant who retired at age 65 with 35 years of service, who would normally receive a benefit of $2,000 per month, would see that benefit reduced to $1,251 per month if the PBGC takes over their plan, and to as low as $125 per month if the PBGC becomes insolvent.

What happens if these plans fail? The Pension Benefit Guaranty Corp. is legally obligated to backstop these plans from the multiemployer guaranty fund. The PBGC itself is facing insolvency and could leave workers and retirees at serious risk of dramatic and unnecessary benefits cuts, sticking taxpayers with the bill.

For example, a participant who retired at age 65 with 35 years of service, who would normally receive a benefit of $2,000 per month, would see that benefit reduced to $1,251 per month if the PBGC takes over their plan, and to as low as $125 per month if the PBGC becomes insolvent.

The challenges facing multiemployer pension plans can be overcome without costing the taxpayers a dime. Congress should give us the tools we need to preserve benefits, as well as strengthen and secure the current multiemployer system for the long term.

The "Solutions Not Bailouts" plan provides early intervention for the small percentage of deeply troubled multiemployer plans, allowing workers and retirees in those plans to maintain benefits above the PBGC guaranteed amount, and strengthens the majority of plans that have successfully weathered the recent economic crisis and are not threatened.

Millions of Americans rely on the retirement security provided by multiemployer plans while many millions more benefit from the investments those plans make throughout our economy. We don't want a taxpayer bailout. We need Congress to embrace reforms that give employers and employees the tools to work together to fix their pension plans.

Using the same example noted above, the "Solutions not Bailouts" plan could maintain lifetime benefits at amounts far greater than the $1,251 – or $125 – guaranteed by the PBGC. If the plan required benefit reductions of just 5% to maintain solvency, those benefits would be preserved at $1,900 per month, and if 15% reductions were required, benefits would be preserved at $1,700 per month. Even under the most extreme case, participants' benefits in this hypothetical plan would never fall below $1,375. Of course, any plan modifications would not be approved without agreement from both labor and management and would only be adopted if the results were materially better for workers and retirees than plan insolvency.

Millions of Americans rely on the retirement security provided by multiemployer plans while many millions more benefit from the investments those plans make throughout our economy. We don't want a taxpayer bailout. We need Congress to embrace reforms that give employers and employees the tools to work together to fix their pension plans.

Tools such as innovative plan designs can insulate contributing employers from financial volatility in the future and shield participants from risk by requiring greater funding discipline. We also think any plan should include safeguards to guarantee regular and reliable retirement security as well as a way to support the long-term preservation of benefit levels above the PBGC guarantee. "Solutions not Bailouts" includes these provisions, and as Congress begins to craft and consider legislation on this topic in the coming months, we hope the policymakers heed these recommendations and this critical moment. By taking these steps, we can make retirement more secure for millions of Americans and protect our emerging economic recovery.

April 16, 2014

Sent to the Chairmen and Ranking Members with copies to all members of:
U.S. Senate Health, Education, Labor and Pensions Committee
U.S. Senate Finance Committee
U.S. House of Representatives Education and Workforce Committee
U.S. House of Representatives Ways and Means Committee
Washington, DC

Re: Please support the ***Solutions Not Bailouts*** multiemployer pension plan reform proposal

Dear Representative:

The Association of Union Constructors (TAUC) and the International Association of Bridge, Structural, Ornamental and Reinforcing Iron Workers have joined together as representatives of labor and management to urge Congress to support the multiemployer pension plan proposal that has been developed by the Retirement Security Review Commission of the National Coordinating Committee for Multiemployer Plans (NCCMP). This proposal is known as ***Solutions Not Bailouts***, and it will significantly benefit both the 100,000 skilled men and women in the Iron Workers and the 2,100 employers that belong to TAUC by making the retirement plans in our industry more secure. This will be done without a government handout. It will be accomplished by labor and management working out solutions together through collective bargaining and cooperation at the pension fund management level.

If left unresolved, or if the relief comes too late, the crisis facing multiemployer pension plans will be devastating not only to our members, employees and retirees, but potentially harmful to many others, including the nation's entire pension retirement system.

Absent the reforms outlined in the ***Solutions Not Bailouts*** proposal, it is an absolute certainty under current law that many deeply troubled plans will become insolvent and benefits received by both current and future retirees will be reduced – at best, to the level guaranteed by the Pension Benefit Guaranty Corporation (PBGC).

Even under the most optimistic scenario, benefits for retirees would be drastically reduced. For instance a retiree with 30 years of service would see their pension reduced to a mere $12,870 annually. Unfortunately, , the PBGC already faces a very significant funding shortfall – in excess of eight billion dollars as of September 30, 2013 which calls into question its ability to provide the statutorily guaranteed benefits. In order for the PBGC to fulfill its legal obligations should these plans become insolvent, it would require billions of dollars in additional funding from Congress, or through crushingly high increases in the PBGC premium structure. Should Congress choose not to increase funding for the PBGC, Government Accountability Office Director Charles Jeszeck testified that the PBGC would be forced to pay benefits from the cash flow produced by premium payments – thereby reducing the maximum monthly benefit to below $125. That is not an acceptable solution for anyone involved.

Since the passage of the bipartisan Pension Protection Act (PPA) in 2006, TAUC and the Iron Workers have worked together to improve the status of many multiemployer pension plans. This has meant significant increases in pension contributions, reductions to the retirement accruals of future retirees (today's active employees), and the consolidation of some plans. These aggressive actions taken jointly by labor and management have helped place many plans on the path to long-term sustainability. Undoubtedly, these actions have strengthened the retirement benefits of these plans' participants.

Yet, due to the unexpected financial collapse of 2008, a number of multiemployer pension plans still stand on the brink of financial collapse. These deeply troubled plans have exhausted the remedies available under current law, and without additional options, they will face insolvency in the relatively near future.

In an attempt to avert this crisis, labor and management from numerous industries worked together for approximately eighteen months to analyze all possible solutions and develop a consensus position. This joint labor-management effort led to a report issued in 2013 by the NCCMP, which TAUC and the Iron Workers fully support. The NCCMP Recommendations included in the proposal ***Solutions Not Bailouts*** offer a measured, fair, and viable solution to the difficult but necessary task of rescuing troubled plans from the path to insolvency.

The proposal's recommendations fall into three basic categories: (1) recommendations that will preserve and strengthen the current system; (2) measures designed specifically to help deeply troubled plans; and (3)innovative proposals for alternative plan design structures to address the structural deficiencies of the current system and enhance retirement security by expanding the current base of contributing employers.

Proposals to preserve and strengthen the current system include technical corrections to the PPA designed to strengthen the financial well-being of plans that have been able to regain "green zone" status and facilitate the more financially challenged plans to access the tools of the PPA. Measures designed to help deeply troubled plans have been carefully constructed to enable plans that face impending insolvency to gain early access to statutory requirements that are imposed upon them by current law when they become insolvent – the reduction of accrued benefits - but only to the extent necessary to preserve solvency, with the net result of preserving such plans and preserving participants' benefits (usually substantially) above those which they will receive when the plans ultimately become insolvent. In doing so, the Commission recommended strong participant protections including the ability to protect vulnerable retirees and survivors (*e.g.* those of advanced age or are disabled) and requiring government approval of fund trustees' decisions to utilize such measures. Reducing benefits is not a tool the trustees could wield recklessly. In fact, labor and management trustees would need to agree that it is necessary in order to save the plan and the PBGC would need to approve any such plan to ensure that the interests of all plan participants were given equitable consideration.

Finally, the Commission proposes changes to the tax code to encourage the creation of innovative plan designs beyond the current defined benefit or defined contribution models, that will provide participants with the regular monthly income they have earned and come to expect from the defined benefit model, but will limit the contributing employers' residual liabilities currently provided by defined contribution plans by greatly reducing or completely eliminating withdrawal liability. This strategy offers the real prospect of plan expansion and positive demographic trends. One new plan design would retain the lifetime annuity income feature of defined benefit plans for participants and their beneficiaries so no participant has to fear outliving their retirement savings, along with pooled longevity risks; and the generally higher returns and lower fees obtained from trustee negotiated professional asset management.

While the elimination of withdrawal liability will shift the risk of asset performance to plan participants, the Commission's recommendations include significantly more conservative funding targets and other protections designed to make it less likely that benefits would require future adjustments. Also, the fact that these designs minimize or eliminate withdrawal liability for the benefits accrued prospectively will encourage continued participation by current employers as well as permitting the entry of new employers.

We understand from various publicly available reports that currently insolvent multiemployer plans, as well as multiemployer plans projected to become insolvent within the foreseeable future, will eventually exhaust the PBGC multiemployer fund and there will be no money to pay out benefits. The only ways to prevent this from happening are to either arrange for a taxpayer bailout (which we understand is highly unlikely) or reform the system by adopting the reasonable remedies outlined in *the* ***Solutions Not Bailouts*** proposal. This is the reality that opponents of reform fail to address, which is why they have not offered any constructive alternatives. Permitting the most troubled plans to reduce benefits is a better solution than the complete loss of benefits, which is where we are headed if action is not taken right away.

Please join us in supporting ***Solutions Not Bailouts***. We ask you to focus on the balanced merits of the proposal.

The NCCMP recommendations offer the most logical and least painful way forward. Providing labor and management trustees of deeply troubled plans with the needed flexibility to rescue the retirements of thousands of Americans is best for all parties concerned – retirees, workers, employers and taxpayers.

We appreciate your support and urge you to support legislation that will make the ***Solutions Not Bailouts*** proposal a reality. The website www.solutionsnotbailouts.com contains additional information that may be useful. Please contact us with any questions or concerns.

Sincerely,

Walter W. Wise

Tom Felton

Walter W. Wise, General President
International Association of Bridge, Structural,
Ornamental and Reinforcing Iron Workers

Tom S. Felton, President
The Association of Union Constructors
(TAUC)

Via Facsimile

December 5, 2013

The Honorable Harry Reid
The Honorable Mitch McConnell
Members of the U.S. Senate HELP Committee
Members of the U.S. Senate Finance Committee

Dear Senators:

The Kroger Co. (Kroger) and the United Food and Commercial Workers International Union (UFCW) urge that Congress take quick action to address the looming multiemployer pension crisis. If left unresolved, this crisis will be devastating not only to our members, employees, and retirees, but potentially harmful to many others, including the nation's pension retirement system.

Since the passage of the bipartisan Pension Protection Act (PPA) in 2006, Kroger and the UFCW have worked together to improve the status of many multiemployer pension plans that we co-sponsor. This has meant significant increases in pension contributions, changes to the retirement benefits of our employees, and consolidation of some plans. These aggressive actions, jointly taken, have placed many plans on the path to long-term sustainability. Undoubtedly, these actions have strengthened the retirement benefits of our employees and members.

Yet, due to unexpected events – most notably the financial collapse of 2008 – a number of multiemployer pension plans still stand on the brink of financial collapse. These deeply-troubled plans have exhausted the remedies available under current law, and without additional options will face insolvency in the relatively near future. Unless these plans are allowed to reduce benefits, nothing can prevent some of these plans from certain insolvency.

Without action by Congress, one very large multiemployer pension fund will become insolvent and will seriously jeopardize the benefits of approximately 340,000 current retirees and 70,000 future retirees. Several other plans face similar circumstances. In an attempt to avert this crisis, labor and management from numerous industries worked together for almost two years to analyze all possible solutions and develop a consensus position. This joint labor-management effort led to a report issued earlier this year by the National Coordinating Committee for Multiemployer Plans ("NCCMP Recommendations"), which Kroger and the UFCW fully support. The NCCMP Recommendations offer a measured, fair, and viable solution to the difficult but necessary task of rescuing troubled plans from the path to insolvency.

Regaining solvency and self-sufficiency for these plans will not come without sacrifice. The only realistic way to avoid insolvency and preserve as much of the promised pension benefits as possible is to provide plan trustees the ability to, if necessary, reduce some of the accrued benefits – and only if such action will ensure the plan's survival. The NCCMP Recommendations carefully limit this option allowing for the necessary flexibility to salvage these plans while protecting the most vulnerable population and ensuring that benefits are preserved to the maximum extent possible.

David B. Dillon, *Chairman and CEO*
The Kroger Co.
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Joseph T. Hansen, *International President*
Anthony M. Perrone, *International Secretary-Treasurer*
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Reducing benefits is not a tool the trustees could wield recklessly. In fact, labor and management trustees would need to agree that it is the last resort in order to save the plan and the Pension Benefit Guaranty Corporation (PBGC) would need to approve any reduction of benefits.

As Central States Executive Director Tom Nyhan recently testified before the House Education and Workforce Committee Subcommittee on Health, Employment, Labor and Pensions:

> *"I agree that one of the fundamental rules of ERISA was the anti-cutback rule. But there is another fundamental rule that is going to trump that and that is called arithmetic. It is not a question of if there are going to be benefit cuts. There are going to be benefit cuts. The question is when and how they are going to happen."*

Absent the reforms outlined in the NCCMP Recommendations, there is little doubt that deeply troubled plans would enter insolvency and benefits would be reduced to the level guaranteed by the PBGC. Benefits for retirees would be drastically reduced ($12,870 for a retiree with 30 years of service). In addition, the PBGC already faces a very significant funding shortfall – in excess of eight billion dollars as of September 30, 2013. In order for the PBGC to fulfill its legal obligations should these plans become insolvent, it would require billions of dollars in additional funding from Congress. Should Congress choose not to increase funding for the PBGC, Government Accountability Office Director Charles Jeszeck testified that the PBGC would be forced to pay benefits from the cash flow produced by premium payments – thereby reducing the maximum monthly benefit to below $125. That is not an acceptable solution for our employees and members.

Fortunately, the NCCMP Recommendations offer a less severe solution. The core objective of the NCCMP Recommendations is to help deeply troubled plans preserve benefits above the PBGC minimum guarantee levels. Modest changes to benefits now can responsibly sustain these pension plans for decades to come.

The NCCMP Recommendations offer the most logical and least painful way forward. Providing labor and management trustees of deeply troubled plans with the needed flexibility to rescue these plans is best for all parties concerned – retirees, workers, employers and taxpayers.

We appreciate your support and urge you to support legislation that will make the NCCMP Recommendations a reality. The website www.solutionsnotbailouts.com contains additional information that may be useful. Please contact us with any questions or concerns.

Sincerely,

Joseph T. Hansen

Chairman and CEO
The Kroger Co.

International President
United Food and Commercial
Workers International Union

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January 22, 2014

Sent to the Chairmen and Ranking Members with copies to all members of:
U.S. Senate Health, Education, Labor and Pensions Committee
U.S. Senate Finance Committee
U.S. House of Representatives Education and Workforce Committee
U.S. House of Representatives Ways and Means Committee
Washington, DC

Re: We support the *Solutions Not Bailouts* multiemployer pension plan reform legislation

Dear Chairman and Ranking Member:

The International Association of Sheet Metal, Air, Rail and Transportation Workers (SMART)[i] and the Sheet Metal and Air Conditioning Contractors' National Association (SMACNA)[ii] urge Congress to end the crisis of confidence facing multiemployer pension plans because of the pressing need for comprehensive pension reform. For over 18 months, SMACNA and SMART collaborated with more than 40 labor and business leaders in the Retirement Security Review Commission. The Commission's specific and concrete recommendations – *Solutions not Bailouts* - if enacted, will strengthen retirement security. For the specifics, please review "Solutions Not Bailouts: A Comprehensive Plan from Business and Labor to Safeguard Multiemployer Retirement Security, Protect Taxpayers and Spur Economic Growth" at http://www.solutionsnotbailouts.com/.

Our union members and our employers live and work in every state and territory of this nation. Like over 10 million other working class Americans, 216,000 SMART members, retirees and beneficiaries rely on multiemployer plans for retirement security. SMACNA's over 4,500 contractors are major stakeholders in multiemployer plans across the country.

In the sheet metal and transportation industry, many of our plans have successfully addressed funding challenges because labor and management worked together using the tools under the Pension Protection Act of 2006 ("PPA"). But for other plans and for the long-term future of the multiemployer system, PPA is not enough; the enactment of *Solutions not Bailouts* proposals is critical.

Plans in other industries face imminent insolvency. The failure of one plan, even in a seemingly unrelated industry, could have a ripple effect across the system. Not only pension plans can fail; higher contribution demands or increasing shares of unfunded vested benefits may pull down the employers that remain in the plans. Unfunded liabilities create too much uncertainty in financing and bonding.

Further, *Solutions not Bailouts* can do more than strengthen retirement security; it can address the Pension Benefit Guaranty Corporation's (PBGC) crisis. The PBGC lacks the full faith and credit of the federal government and faces insolvency in the not-so-distant future. As you know, the PBGC provides a limited backstop to insolvent plans and only "guarantees" benefits at a relatively low level.

Most opponents of *Solutions not Bailouts* fear the provisions to save the benefits of participants in deeply troubled plans. For those plans, the recommendations would allow workers and retirees to maintain benefits above the PBGC guaranteed amount rather than the current law, which "guarantees" a lower benefit if, and only if, the PBGC has the assets. The PBGC faces a very significant funding shortfall – in excess of eight billion dollars as of September 30, 2013. PBGC cannot meet its obligations to plans facing insolvency without billions in additional funding, or what some might call a "**bail-out**." We are realists concerning the prospects of additional funding.

We respect the views of those who say ERISA's bedrock principle is the preservation of accrued benefits. That protection is an illusion once a plan is insolvent; accrued benefits will be reduced. Moreover, if PBGC is insolvent, its guarantee is not truly a "**guarantee**."

The *Solutions not Bailouts* proposal would allow joint labor/management boards of trustees' limited authority to act before it is too late so that workers and retirees receive more than the PBGC "guarantee." These last-resort suspensions, under PBGC supervision, would provide, at a minimum, 110% of PBGC guaranteed benefits and would **be no larger than necessary to prevent insolvency**. Plans facing imminent insolvency could only use the tools if the joint labor-management boards of trustees so decide. Neither labor nor management could force the use of these tools. Labor and management trustees would need to agree to these tools as a last resort to save a plan. In addition, the **PBGC would need to approve** any reduction of benefits.

Solutions not Bailouts also proposes encouraging **voluntary innovative new plan designs** for secure lifetime retirement income. The voluntary adoption of flexible plan designs would be the subject of collective bargaining. These plans could include, but would not be limited to, variable annuity and "Target Benefit" plans, which would permit adjustment of accrued benefits. However, to protect participants from the risks of benefit adjustments, these models would impose greater funding discipline than is required under current defined benefit rules. New designs, and reforms for existing plans, can help insulate contributing employers from financial volatility.

We respectfully urge Congress to move promptly to enact the *Solutions not Bailouts* plan which will also extend the important tools PPA already provides. The private sector has supported these plans for decades and can continue to do so by extending and amending the PPA. Thousands of participants, their families and employers will appreciate your support in this endeavor.

Sincerely,

Joe Nigro

Joe Nigro, General President
SMART

Sincerely,

Randy A. Novak

Randy Novak, President
SMACNA

[i] **SMART** was formed with the merger of the United Transportation Union and the Sheet Metal Workers' International Association. The Union's history extends back over 125 years. It is an international labor union, with 216,000 members in the AFL-CIO and the Canadian Labour Congress, providing policy direction and program support on behalf of its membership in maintaining the union's jurisdiction over various types of work in the United States, Canada and Puerto Rico. Sheet metal members perform work in the building and construction trades, in production manufacturing, railroad shops, and shipyards. Transportation members are employed in railroad, bus, transit and airline operations.

[ii] **SMACNA** was founded in 1943 and is supported by more than 4,500 construction firms engaged in industrial, commercial, residential, architectural and specialty sheet metal and air conditioning construction in public and private markets throughout the United States. SMACNA contractors specialize in heating, ventilating and air conditioning; architectural sheet metal; industrial sheet metal; kitchen equipment; specialty stainless steel work; manufacturing; siding and decking; testing and balancing; service; and energy management and maintenance. SMACNA has 103 national and international chapters.

January 13, 2014

The Honorable John A. Boehner, Speaker of the House
The Honorable Nancy Pelosi, Minority Leader
Members of the House Committee on Ways & Means
Members of the House Education & the Workforce Committee

RE: Please support the *Solutions Not Bailouts* multiemployer pension plan reform proposal sponsored by the National Coordinating Committee for Multiemployer Plans (NCCMP) and by national labor and management organizations.

Dear Representatives:

We are joining together as representatives of labor and management to ask for your strong support of the multiemployer pension plan proposal that has been developed by the Retirement Security Review Commission of the National Coordination Committee for Multiemployer Plans. Their proposal is known as ***Solutions Not Bailouts (SNB).*** It will significantly benefit both the 325,000 skilled craft men and women in the United Association of Plumbers and Pipefitters (UA) and the 2,800 employers that belong to the Mechanical Contractors Association (MCAA) by making the retirement plans in our industry more secure. This will be done without a government handout. It will be done by labor and management working out solutions together through bargaining and through cooperation at the pension fund level.

The UA and the MCAA together, both nationally and in local collective bargaining, sponsor more multiemployer defined benefit pension plans than any other trade in the construction industry—150 multiemployer defined benefit plans, covering 429,000 participants and their families, with at least $25.5 billion in assets nationwide. We are jointly committed to saving and strengthening multiemployer defined benefit plans, in accordance with SNB, because these plans provide well-earned retirement security to our members/employees. And, it is our members/employees who are the backbone of our industry. They make America strong by working hard at a skilled trade during their careers, and they deserve retirement with dignity.

SNB is sound, fair, balanced and judicious. It was developed and agreed to by a wide array of labor and management groups representing all of the industries in which multiemployer defined benefit plans provide retirement security. SNB was crafted in detail by a host of our nation's leading multiemployer plan experts across all retirement plan disciplines—actuaries, attorneys, plan administrators, and labor and management negotiations representatives.

SNB represents a careful balance of the interests of business and plan participants and their families. The goal of the reforms proposed in SNB is to preserve and strengthen the high-quality

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Three Park Place • Annapolis, MD 21401-3687 • 410-269-2000 • Fax: 410-267-0262 • www.ua.org

retirement benefits that labor and management have developed in the multiemployer defined benefit plan system.

SNB would not require changes to plans or to benefits. This point is either missed or ignored by opponents of the proposal. SNB would provide multiemployer defined benefit pension plans with additional tools to be used as determined by individual plans in strictly limited circumstances to meet the particular needs of individual plans. The SNB proposals fall into three categories: (1) those proposals that will preserve and strengthen the current system; (2) innovative proposals for alternative plan design structures; and (3) measures designed to help deeply troubled plans.

Proposals to preserve and strengthen the current system include technical changes to the Internal Revenue Code intended to clarify various aspects of the Pension Protection Act (PPA) and to make the process for plans in critical and endangered status more workable.

SNB would also allow trustees and bargaining parties, if they so choose, to fundamentally rebalance the risks in pension funding and put the plans on more solid footing going forward with innovative benefit plan designs. This offers the real prospect of plan expansion and positive demographic trends. The new plan designs would retain the lifetime income feature of defined benefit plans for participants and their beneficiaries, with pooled assets, the generally higher returns from professional asset management, and pooled longevity risks, so no participant has to fear outliving their retirement savings. At the same time, the SNB proposal would allow for a significant rebalancing of the risk of funding for sponsoring employers because the proposal would permit adjustment of some benefits under specified circumstances.

The two examples discussed in the SNB proposal were not meant to be exclusive. The proposal recommends that innovative designs should be permitted with greater ability to adjust benefits to reflect the investment markets so long as such designs provide for a guaranteed core lifetime income and protect vulnerable populations. A more conservative funding target will make it less likely that benefits would be adjusted. The fact that these designs minimize or eliminate withdrawal liability for the benefits accrued prospectively will encourage continued participation by current employers as well as the participation of new employers.

These innovative designs will help stem the tide of withdrawals from defined benefit plans, and the trend toward defined contribution plans, by providing a program with the lifetime benefit features but without the withdrawal liability that has already caused so many employers to leave the system. Continued and new participation in the "new" portion of a plan will help support and fund a plan's legacy liability.

We are aware of the vocal opposition to the measures proposed to save deeply troubled plans and particularly the proposal to permit some plans to reduce benefits to retirees. These steps were not

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taken lightly. It was only after considering all of the alternatives that these measures were proposed. The opponents do not offer alternative solutions.

We want to emphasize several points:

1. The measures for deeply troubled plans are not mandatory and are available to plans only after they have tried all other reasonable measures;
2. A plan may reduce benefits only if the plan is projected to become insolvent within a specified time period and only if and to the extent necessary for the plan to avoid insolvency;
3. Benefits may be reduced only to a level that is 110% of the benefit participants would receive under the PBGC guarantee;
4. SNB includes an approval process for benefit reductions which is proposed to be by application to PBGC.

We understand from various publically available reports that currently insolvent multiemployer plans and multiemployer plans projected to become insolvent within the foreseeable future will exhaust the PBGC multiemployer fund. Therefore, absent some alternative not yet proposed or a taxpayer bailout, which we understand is highly unlikely, benefits of participants in deeply troubled plans (that are not able to save themselves because tools such as those proposed in SNB are not available) will eventually stop because the PBGC will have no funds to pay benefits. Opponents of the SNB proposal do not address this problem and do not explain what will happen to those participants when their plans become insolvent and there are no funds available from the PBGC to pay their benefits. Permitting troubled plans to reduce benefits is a better solution than the complete loss of benefits that appears to be the future for participants of insolvent or soon to be insolvent plans.

Please join us in supporting the SNB proposal. Despite the opposition of some who do so without offering a constructive alternative, we ask you to focus on the balanced merits of the proposal designed to address the challenges facing multiemployer plans by giving the plans the new tools they need to ensure the long term viability of their plans for their participants and beneficiaries and their sponsoring employers.

Sincerely,

William P. Hite

William P. Hite, General President
United Association of Journeymen and Apprentices
of the Plumbing and Pipefitting Industry of the US
and Canada, AFL-CIO

Michael R. Cables

Michael R. Cables, President
Mechanical Contractors Association
of America

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May 8, 2013

Dear Senator/Representative:

As leaders of our respective organizations, the International Brotherhood of Electrical Workers (IBEW) and the National Electrical Contractors Association (NECA), we write jointly as labor and management in support of the National Coordinating Committee Multiemployer Plan's (NCCMP) Retirement Security Review Commission's report entitled "Solutions not Bailouts: A Comprehensive Plan from Business and Labor to Safeguard Multiemployer Retirement Security, Protect Taxpayers and Spur Economic Growth."

Two years ago, IBEW, NECA and more than forty labor and management stakeholders partnered up with the NCCMP to form the Retirement Security Review Commission. The Commission's goal was to create a proposal that presents solutions that will ensure multiemployer pension plans can continue to provide a reliable retirement benefit to millions of Americans while enabling the employers who fund them to remain strong contributors to the national economy.

The proposal offers recommendations that address the deeply troubled plans heading toward insolvency, includes technical provisions that will improve the current system and offers new flexible plan design options aimed to reduce employers risk and eliminate withdrawal liabilities. There are several considerations of the proposal that warrant our recommendations:

- *Strengthen the Current Funding Rules to the Pension Protection Act of 2006 (PPA)*. While the PPA provided some relief to multiemployer pension plans and helped companies recover losses incurred as a result of the financial crisis, IBEW and NECA believe that further changes to the PPA are necessary to improve the health and viability of these plans. The Commission has offered an array of technical provisions that will improve the current system by providing flexible rules to allow trustees of plans facing financial instability to adapt to changing economic and market conditions as they occur.

- *Provide Relief to Deeply Troubled Plans Heading Toward Insolvency*. Severely troubled plans that are projected to become insolvent need more tools to prevent the plans from exposure of the Pension Guaranty Benefit Corporation (PBGC). Under the PPA, plan trustees were granted the authority to temporarily reduce benefits for active participants. Unfortunately, there remain plans where those suspensions were not enough to avoid insolvency. In these exceptional circumstances, these additional tools will grant plan trustees additional authority to take appropriate measures to partially suspend accrued benefits for active and inactive vested participants. Such suspensions would be limited to the amount of time essential to prevent the plan from insolvency; the benefits could never go below 110 percent of the PBGC guaranteed amounts.

- *Create New Flexible Plan Designs*. A transient workforce, an aging population, and a weak economy have led to unsustainable pension contributions and unfunded withdrawal liabilities that continue to put a strain on contributing employers. These growing concerns led the Commission to recommend two new plan designs. Both of the new plan designs are distinguished from a traditional defined benefit plan because they have shared risk amongst the employer and the employee and they significantly reduce an employer's exposure to withdrawal liability.

- *Solutions Not Bailouts: Revenue Neutral and Not Mandatory*. All multiemployer pension plans are the product of collective bargaining agreements. The proposed recommendations put forward by the Commission will not mandate plan trustees to adopt these changes. Rather, they will provide the tools to provide relief to multiemployer pension plans that have existing funding liabilities. If enacted as proposed, these legislative changes will be revenue neutral, American taxpayers will not bear the cost of the plan, and multiemployer pension plans will continue to provide financial security to retirees nationwide.

Since 1946, IBEW and NECA have worked together through the collective bargaining process to offer a pension plan that would help bring security, dignity, and peace-of-mind to all plan participants. Today, our joint labor-management, multiemployer pension plans have successfully provided coverage for millions of plan participants, retirees and surviving spouses, as well as its contributing employers. We urge you to support the NCCMP proposal and we look forward to working with you to ensure its passage this year.

Sincerely,

Edwin D. Hill	John M. Grau
International President	Chief Executive Officer
International Brotherhood of Electrical Workers	National Electrical Contractors Association

THE BROADWAY LEAGUE

ACTORS' EQUITY ASSOCIATION 1913 · 2013

AFM AMERICAN FEDERATION OF MUSICIANS

December 9, 2013

[NAME]
[ADDRESS]
[ADDRESS]
[CITY, STATE]

Re: Support for NCCMP's *Solutions Not Bailouts* Pension Reform Proposal

Dear [NAME]:

The Broadway League, the trade association for the national commercial theatre industry, represents more than 700 members throughout North America who contribute to 11 Taft-Hartley pension plans with assets in excess of $4 Billion.

Actors' Equity Association is the labor union that represents more than 49,000 Actors and Stage Managers in the United States. Its $1.5 Billion jointly trusteed Taft-Hartley pension plan covers more than 40,000 current or future retirees.

The American Federation of Musicians is the largest organization in the world representing professional musicians, with a membership of 85,000. Its $1.8 Billion jointly trusteed Taft-Hartley pension plan covers nearly 50,000 current or future retirees.

We are writing to express grave concern over the sustainability of many multiemployer pension plans as significant provisions of the Pension Protection Act of 2006 will sunset next year. Therefore, we are requesting your support for a compendium of legislative reforms that will preserve retirement security for current employees and retirees, as well as address challenges the Federal Pension Benefit Guaranty Corporation ('PBGC') has identified as likely to cause insolvency for multiemployer plans in the near future.

Even as our economy gradually recovers from the 2008 recession, millions of workers and retirees could see their benefits threatened if no action is taken. Approximately 27% of plans nation-wide are in the critical "Red Zone," of which 7-10% face eventual insolvency. Taking action to preserve multiemployer pensions could not be more urgent to our organization as we are not content to wait for the plan to fail, the PBGC to become insolvent or for a Congressional bailout

Accordingly, the Broadway League, Actors' Equity Association and The American Federation of Musicians have joined more than 40 stakeholders to form the Retirement Security Review Commission ('RSRC'), a group whose goal was to develop solutions supported by management and labor to strengthen the system for the long-term. The result of that collaboration was a report entitled *"Solutions Not Bailouts: A Comprehensive Plan from Business and Labor to Safeguard Multiemployer Retirement Security, Protect Taxpayers and Spur Economic Growth."* The report's recommendations not only preserve retirement security for workers currently paying into the system, employers and retirees, but also address challenges the PBGC and other agencies have identified as likely to cause insolvency for multiemployer plans in the future. The RSRC's proposals reinforce plans that have successfully weathered the recent economic crises while simultaneously allowing workers and retirees covered by deeply troubled plans to maintain benefits above the PBGC guarantees. The proposals also facilitate development of innovative plans that better enable the bargaining parties to adopt strategies tailored to their unique circumstances.

Millions of Americans rely on retirement security provided by multiemployer plans. The RSRC's approach comprises self-help solutions that safeguard benefits for the long-term, strengthens the system and, importantly, avoids the inevitability of insolvency that comes with inaction.

Again, we seek your leadership on this matter. Please contact us if you would like to discuss these issues in further detail, as well as proposed legislation incorporating the RSRC's recommendations.

Sincerely,

Christopher J.G. Brockmeyer
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Mary McColl
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